

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7247

BILL NUMBER: HB 1635

NOTE PREPARED: Jan 24, 2005

BILL AMENDED:

SUBJECT: Taxes on alcoholic beverages.

FIRST AUTHOR: Rep. Brown T

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases the excise taxes on alcoholic beverages.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues: The bill is expected to increase state General Fund revenue by approximately \$86.4 M in FY 2006 and \$92.1 M in FY 2007. Due to the timing of the remittance of Excise Tax revenue, the FY 2006 estimate is limited to 11 months of collections during the 12 months of FY 2006 that the tax rate is in effect. Under current law, 50% of the General Fund revenue received from alcoholic beverage excise taxes is used for General Fund purposes. The remaining 50% is allocated to cities and towns. Therefore state revenues will increase by a total of \$43.2 M in FY 2006 and \$46.05 M in FY 2007.

This bill raises the excise taxes as shown in the table below:

Excise Tax Rates Per Gallon			
	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
Beer/Hard Cider	\$0.115	\$0.410	\$0.295
Liquor	\$2.680	\$9.590	\$6.910
Wine	\$0.470	\$1.680	\$1.210
Malt Liquor	\$0.050	\$0.180	\$0.130

This bill does not change the distribution of the alcohol excise taxes on alcohol. Therefore under IC 4-8.1-4-3 all moneys paid into the state treasury which are not by the constitution, statute, or requirement of the donor dedicated to another fund or for another purpose, are deposited into the state General Fund.

The increased cost of beer, wine, and liquor due to the tax rate increase is expected to cause a reduction in the quantity of alcohol consumed. As a result of this reduction, it is expected that the other funds receiving excise tax revenue from the alcoholic beverage sales will experience a reduction in revenue. The Post War Construction Fund, the ATC's Enforcement and Administration Fund, the Addiction Services Fund, the Excise Officers Pension Fund, and the Wine Grape Marketing Fund are expected to experience a *combined* decrease in revenue of approximately \$785,000 in FY 2006 and \$1.4 M in FY 2007. The table below shows how each fund is affected.

Decrease in Revenue by Fund (millions)		
	FY 2006	FY 2007
Post War Conviction Fund	-\$0.532	-\$0.955
Enforcement and Admin Fund	-\$0.062	-\$0.114
Addiction Services Fund	-\$0.041	-\$0.077
Pension Fund	-\$0.129	-\$0.224
Market Development Fund	-\$0.021	-\$0.042
Total	-\$0.785	-\$1.412

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, 50% of the General Fund revenue received from alcoholic beverage excise taxes is used for General Fund purposes. The remaining 50% is allocated to cities and towns. Therefore revenue for cities and towns will increase by a total of \$43.2 M in FY 2006 and \$46.05 M in FY 2007.

State Agencies Affected: Department of State Revenue; Alcohol and Tobacco Commission.

Local Agencies Affected: Cities and towns.

Information Sources: December 14, 2004, *State Revenue Forecast*.

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